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REGISTRAR'S BUREAU

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1973

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REGISTRAR'S BUREAU

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 1973

TABLE OF CONTENTS

		Page
Elective and Administrative Officials		iii
Summary of Recommendations		iv
Scope of Examination and Opinion		1
Comments:		
General		3
Internal Control		4
Cash Recording and Deposits		5
Separation of Duties		9
Reconciliations		11
Fixed Assets		13
Suspense Account		15
Deposit of EEA Reimbursements		15
State Payments for Insurance		16
Utilities Costs		18
Travel		19
Leave Records		19
Registration Receipt Files		20
Confidential Plates		21
Costs of License Plates		21
Final Comments		23
Financial Statements:	Exhibit	
Balance Sheet, June 30, 1973	A	24
Statement of Change in Fund Balance, Fiscal Year 1973	B	25
Statement of Revenue, Fiscal Year 1973	C	26
Statement of Licenses and Permits Revenue	C-1	27

TABLE OF CONTENTS (Continued)

	Exhibit	Page
Financial Statements:		
All Fund Statement of Expenditures, Fiscal Year 1973	D	28
Earmarked Revenue Fund, Statement of Expenditures, Fiscal Year 1973	E	29
Attorney General's Opinion	F	30
Agency Replies:		
Office of the Attorney General		32
Department of Labor and Industry, Employment Security Division		36

PRINCIPAL ELECTIVE AND ADMINISTRATIVE OFFICIALS

DEPARTMENT OF JUSTICE

Robert L. Woodahl	Attorney General and Director, Department of Justice
Malcolm MacCalman	Chief, Registrar's Bureau
Beulah B. Sand	Acting Chief, Registrar's Bureau 4/72 to 12/72

SUMMARY OF RECOMMENDATIONS

	Page
Evaluate the feasibility of implementing an automated or semi-automated cash recording system.	9
Require all mail to be centrally opened and all cash to be removed at the mail opening point and recorded immediately.	9
Route a copy of the cash receipts records to a responsible person outside the cashier's department and require this person to reconcile cash receipts with deposits.	9
Make timely deposits of all cash received, restrictively endorse checks when processing the mail, and otherwise comply with the Montana Administrative Manual.	9
Separate the cash deposit, accounting, and reconciliation duties.	11
Separate the approval, custody, and accounting responsibilities for the revolving account.	11
Implement a control program for fixed assets, including appropriate separation of duties.	11
Implement procedures to safeguard postage.	11
Reconcile the cash received with documents processed and implement procedures for accounting for all license plates sent to counties.	13
Take a physical inventory of its fixed assets, reconcile the physical count with existing records, adjust the records to agree with physical count upon the appropriate approval for the write-off of missing items, record future additions and deletions on a timely basis, and implement the other provisions of Management Memo 70-17.	14
Close the suspense account.	15
Employment Security Division send reimbursements under Federal programs directly to the state treasurer for deposit to the account of the appropriate state agency.	16
Discontinue cash payments in lieu of insurance contributions and make insurance contributions for all employees who are eligible under the statewide insurance plan.	18
The bureau and the prison establish an equitable means for allocating utilities costs.	18

SUMMARY OF RECOMMENDATIONS (Continued)

	Page
Establish effective travel claim review procedures.	19
Bureau chief establish and maintain appropriate leave records.	20
Maintain the vehicle registration files as required by Section 53-101(3), R.C.M. 1947.	21
The Department of Justice seek legislation authorizing confidential plates and prescribing guidelines for their issuance and use.	21
Determine the optimum licensing cycle for Montana's needs and seek legislation to implement a license plate term consistent with its determination.	23

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STATE OF MONTANA

Office of the Legislative Auditor

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The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Registrar's Bureau as of June 30, 1973, and the related statements of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared, by the Statewide Budgeting and Accounting System, on a modified accrual basis of accounting and accordingly present the bureau's financial position in accordance with generally accepted accounting principles applicable to governmental units.

The bureau has not maintained a formal fixed assets account but the value of fixed assets on hand as of June 30, 1973, probably exceeded $100,000. Informal records were kept in the past but did not show the value of fixed assets and have not been updated since 1969. Because of the absence of accounting for the fixed assets, the bureau's balance sheet does not reflect its investment in fixed assets at June 30, 1973.

In our opinion, the accompanying financial statements, except for the balance sheet for fixed assets, present fairly the financial position of the Registrar's Bureau as of June 30, 1973, and the results of its operations

for the year then ended, in conformity with generally accepted governmental accounting principles.

We submit the financial statements listed in the table of contents together with the following comments. In addition, the full text of the replies of the Registrar's Bureau and the Employment Security Division are included.

COMMENTS

GENERAL

The title "Registrar of Motor Vehicles" was first given to the secretary of state in 1914 when automobiles were initially required to be licensed. In 1925, the legislature transferred the office of registrar of motor vehicles to the warden of the state prison at Deer Lodge, and the Board of Examiners was given authority to appoint a deputy to manage the office. In 1929, the legislature allowed the registrar to appoint his own deputy and hire two civilian clerks. In September, 1972, Executive Reorganization placed the responsibility of vehicle registration with the Division of Motor Vehicles, Department of Law Enforcement and Public Safety, which, under subsequent legislation, became the Department of Justice. This department established the Registrar's Bureau within its Motor Vehicle Division to perform the vehicle registration responsibilities.

The bureau's primary responsibilities are the registration and licensing of motor vehicles, recording of owner and identification information relating to motor vehicles, trailers, and semi-trailers, and the licensing of Montana dealers of these items. The bureau also provides motor vehicle information to law enforcement agencies throughout the state by 24-hour, two-way radio and telephone systems.

During the early days of motor vehicle regulation, prison inmates performed the majority of the work. However, no prisoners have worked in the bureau office since 1970. Much of the motor vehicle registration and licensing work is performed by county treasurers, who by law collect fees and initiate applications for vehicle title transfers and other transactions. The treasurers retain a portion of the application fees they collect and all license fees accompanying each set of license plates. The treasurers

remit the remainder of the fees with the applications to the bureau. The following schedule shows the number of new vehicle titles issued, title transfers processed, vehicle registrations, and the bureau's revenues and expenditures during the last five years.

Fiscal Year	New Vehicle Titles	Title Transfers	Vehicle Registrations	Revenue 1/	Expenditures 1/	Staff Employees (FTE) 1/	Staff Inmate
1968	77,950	179,769	538,690	$839,153	$652,404	68	44
1969	79,763	145,148	558,078	860,435	795,260	64	18
1970	82,412	126,349	572,155	886,187	590,976	60	2
1971	93,634	137,814	607,852	849,740	694,069	67	0
1972	120,189	154,731	692,019	945,379	557,371	58	0
1973	121,075	162,720	686,339	998,941 2/	581,303 3/	61	0

1/ Unaudited figures from the Governor's Executive Budget.
2/ Page 26.
3/ Page 28.

During fiscal year 1973, the bureau collected $998,900 in fees from vehicle owners and dealers for the services provided. The money was derived primarily from lien recording fees, title transfer fees, and license plate reflectorization fees, was deposited in an earmarked revenue account with the state treasurer, and was the bureau's primary source of operating funds. The bureau's statement of revenue is included in Appendix C and a schedule of fees for various motor vehicle registrations is shown in Appendix C-1.

INTERNAL CONTROL

During fiscal year 1973, the bureau collected $982,000. Most of the money represented fees charged for transferring motor vehicle titles or similar services and was collected in amounts of $2 or less per transaction. More than 60 percent of the collections were received from county treasurers who collected the fees from individuals. The handling of large amounts of

cash in such small transactions requires a sound internal control system to assure that all money received is properly accounted for.

Minimum internal control procedures which should be used by the bureau include:

-- Centralized cash receiving.

-- Prompt recording of all cash received.

-- Restrictive endorsement of all checks immediately upon receipt.

-- Separation of the cash from the cash record upon recording.

-- Daily intact deposit of all cash receipts.

-- Independent reconciliation of deposits to initial cash receipts record.

-- Reconciliation of cash receipts to services rendered.

The bureau has an internal control program and has implemented, to varying degrees, most of the above procedures. However, we believe the refinements discussed below would improve the bureau's internal control system.

Cash Recording and Deposits

The mail section prepares a cash receipts record when the mail is opened. During 1973 and in previous years the record was prepared by four employees and consisted of a list, by applicant's name, of applications received for vehicle title transfers, lien recordings, and other transactions. Cash received was recorded in separate columns for each type of transaction. As mentioned on page 4, the major portion of the bureau's revenue is received from county treasurers. Starting in February 1974, some county treasurers began listing their cash submissions by applicant's name and showing total cash submitted for each type of transaction. For these counties the bureau presently verifies the totals for each transaction type, posts the totals to the daily cash receipts record, and attaches county submissions for detailed support. For counties that don't list transactions by applicant's name, the

bureau prepares the cash record as in 1973. The present system requires three employees.

Several semi-automated and automated systems are available to facilitate the cash recording process. Systems vary from relatively simple cash register type machines to small computer systems. The systems all have the capability of printing consecutive numbers on applications (such as applications for title transfers) and on a machine-prepared cash record. The systems also can post cash receipts to various receipt categories and accumulate daily and monthly totals.

Use of an automated cash receipts system would increase internal control over cash, result in better cash receipts information, and preclude the necessity of hand-written cash receipts records. The bureau should evaluate the feasibility of an automated or semi-automated cash receipts system and should obtain such a system if the benefits outweigh the cost.

Most cash received at the bureau is received in the mail and under the present system all mail is received at a central location. Generally, the mail is opened and cash is removed at this location; however, mail addressed personally to the chief, deputy chief, or chief clerk is delivered to them unopened. Frequently this mail contains currency or checks for services to be performed by the bureau. About 10 letters are delivered to these individuals each day.

To assure that all cash is properly accounted for, all mail should be opened centrally and forwarded to the appropriate department after the cash is separated.

Presently, the bureau records most cash immediately upon receipt; however, fees received for certain transactions are neither recorded nor deposited for long periods of time. Fees received for calendar year 1973 vehicle and

snowmobile dealers' licenses were withheld from recording and deposit from the time applications first started arriving in November, 1972, until February, 1973. During the interim the money, which consisted of checks from dealers, was under the control of the deputy chief and was stored in a locked file in the clerk's office vulnerable to theft, fire, or loss. The deputy chief is also responsible for issuing dealers' licenses.

The deputy chief stated that the fees were not recorded or deposited until February because she believed the money should be deposited during the calendar year for which the licenses applied. When the revenue was finally recorded and deposited, it amounted to $47,984, consisting of dealers' license fees, fees for registering dealers' surety bonds, and fees for dealers' license plates.

There is no relationship between dealers' license years and the year in which licenses and other fees are recorded and deposited. Therefore, fees should be recorded and deposited immediately upon receipt.

In addition to the dealers' fees, fees accompanying incomplete or incorrect applications for vehicle title transfers or similar transactions are not immediately recorded and deposited. Incomplete applications which apparently can be completed from information available at the bureau are routed to the appropriate department with the fees attached. If the transaction is completed, the fees are returned to the cashier and are then recorded and deposited. Applications which apparently cannot be completed at the bureau are routed, with the fees attached, to the appropriate department where they are returned to the sender, along with the fee and an explanatory letter. Fees for applications for which an incorrect fee is received are returned to the sender with the application and an explanatory

letter. Fees for the latter two types of applications are not recorded or deposited.

All fees should be recorded and deposited immediately upon receipt. Additional information or fees necessary to complete transactions can be requested by letter and, in the event refunds are necessary, they can be made through the warrant system or the bureau's revolving account. In all cases, the cash should be separated in the mail opening operation and should not accompany applications to the various action departments.

Under the present system, the mail section prepares a cash receipts record when the mail is opened. This is the initial record of cash receipts and is an essential control document as long as it remains separated from individuals who subsequently handle the cash. However, the mail section forwards the cash receipts record to the cashier along with the cash. The cashier then prepares and makes the bank deposit.

The cash receipts record should be routed to an individual independent of the cashier's office and should be reconciled with the cashier's deposit records.

Consistent with sound internal control procedures, the bureau makes daily cash deposits. However, because the deposits are made in the morning, they include only the cash recorded the previous day. Daily cash receipts averaged $2,600 during fiscal year 1973. Each day's receipts were held overnight in the bureau's office waiting deposit the next morning. On one occasion, more than $49,500 was held overnight.

The amount of cash stored overnight in the bureau's office could be reduced significantly if mail pickup and initial cash recording were coordinated so as to permit daily deposits in the afternoon.

Immediate restrictive endorsement of checks is a major internal control procedure to help safeguard cash. At the bureau, the cashier restrictively endorses checks while preparing the bank deposit. The restrictive endorsements should be made during the mail opening and cash recording process.

The Department of Administration has published cash recording and deposit guidelines in Chapter 2-1200 of the Montana Administrative Manual. The bureau should implement those guidelines which are not presently followed.

RECOMMENDATION

We recommend that the bureau:

1. *Evaluate the feasibility of implementing an automated or semi-automated cash recording system.*
2. *Require all mail to be centrally opened and all cash to be removed at the mail opening point and recorded immediately.*
3. *Route a copy of the cash receipts record to a responsible person outside the cashier's department and require this person to reconcile cash receipts with deposits.*
4. *Make timely deposits of all cash received, restrictively endorse checks when processing the mail, and otherwise comply with the Montana Administrative Manual.*

Separation of Duties

Separation of duties relating to the receipt, recording, and control of assets is an important aspect of internal control. The bureau has partially separated the cash handling duties but needs to extend that separation and needs to separate duties for other assets, including a contingent

revolving fund and fixed assets. The bureau should also improve control over postage.

The cash receiving and deposit duties are presently separated, but the deposit, accounting, and reconciliation responsibilities are all held by the cashier. The Montana Administrative Manual (2-1210.51) provides plans for separation of cash receiving and processing duties. The bureau should fully implement these plans and should include appropriate separation of duties in any automated cash system implemented.

The bureau has a $2,000 contingent revolving account which is used to pay for items requiring immediate payment. The deputy chief is responsible for all activity relating to the account. He approves the expenditures, writes the checks, signs the checks, has custody of all unused checks, cancelled checks, and the check register, and reconciles the bank statement. He also completes the applications for and vouches the account reimbursements and prepares monthly reports to the Department of Administration.

Administration and control of the revolving account should be divided among several employees to improve the internal control over it. As a minimum, the individual responsible for reconciling the bank statement and applying for the reimbursement of the account should be independent of the individual controlling and writing the checks. A third person, in this case probably the chief, should be responsible for approving the expenditures.

All state agencies are responsible for safeguarding non-cash assets and assuring they are used only for state purposes. The bureau doesn't have an effective internal control program for these assets and should make improvements in this area. Presently, the deputy chief and chief clerk have complete control over the bureau's fixed assets. They are responsible for purchasing and disposing of fixed assets, for security, and for maintaining

what few records are kept. As a minimum, the recordkeeping duties should be separated from the purchasing and disposition duties to improve internal control over fixed assets.

In addition to fixed assets, the bureau usually has significant amounts of postage on hand. The postage is dispensed through a postage meter located in an open, accessible area on the main floor of the bureau's office building. The meter is equipped with a lock to prevent unauthorized use, but the lock is not used. The individual responsible for the meter for the last four years said she did not know how to lock it.

The postage meter contains as much as $6,000 worh of postage at any one time. The postage may be used by anyone and therefore should be safeguarded.

RECOMMENDATION

We recommend that the bureau:

1. *Separate the cash deposit, accounting, and reconciliation duties.*
2. *Separate the approval, custody, and accounting responsibilities for the revolving account.*
3. *Implement a control program for fixed assets, including appropriate separation of duties.*
4. *Implement procedures to safeguard postage.*

Reconciliations

An important part of an internal control system is the reconciliation of work done with revenue received; however, the bureau does not reconcile revenue received with the various types of registrations filed or with other types of transactions. For example, the bureau did not reconcile reflectorization fee revenue with vehicle registrations filed in fiscal year 1973.

Section 53-106, R.C.M. 1947, requires Montana license plates to be treated with a reflectorized material. County treasurers are required to collect and forward to the state treasurer an additional 50 cents per year for each vehicle registration. During fiscal year 1973, county treasurers remitted $332,020 in reflectorization fees.

Reflectorization fees remitted did not reconcile with license plates distributed in four county treasurers' offices where we attempted reconciliation. For example, during the first six months of 1973 one county didn't remit reflectorization fees for 716 automobiles and other vehicles and remitted fees for 3,919 more trucks and trailers than were licensed. As a result, the county remitted $1,601.50 more than required. Each of the other three counties remitted less than required during the same six-month period.

The bureau should reconcile each type of revenue received with the number of applications or other documents processed.

In addition to being useful in verifying revenue, reconciliations can be used for control purposes. For example, reconciliation of the number of license plates sent to each county with the number of new vehicle registrations and vehicle title transfers received from each county would give the bureau greater assurance that the proper amount of revenue had been collected and that all license plates sent to counties are properly accounted for. The bureau presently does not reconcile the number of license plates with the number of license plate transactions and has no assurance that all license plates are accounted for.

If the bureau is to assure that all vehicles are properly registered and is to provide complete vehicle identification and owner information to law enforcement agencies, it should implement procedures for reconciling license plates sent to counties with vehicle registration and title transfer applications received from counties. The bureau could either perform

the reconciliations itself or could require each county to account for license plates received.

RECOMMENDATION

We recommend that the bureau reconcile the cash received with documents processed and implement procedures for accounting for all license plates sent to counties.

FIXED ASSETS

The registrar's bureau does not have adequate records of fixed assets and, as mentioned on page 1, didn't include fixed assets in its June 30, 1973, balance sheet.

In June, 1970, the Department of Administration issued Management Memo 70-17, providing state agencies with general guidelines for property management. The guidelines state that agencies should record fixed assets, take annual physical inventories, and record changes in fixed assets between inventory dates.

The bureau has not implemented Management Memo 70-17. Except for a 1972 typewriter inventory prepared in connection with typewriter service contracts, the bureau's most recent inventory record is a 1969 update of previous records. The update was prepared without a physical inventory. At the time of our review the bureau had no complete record of its fixed assets. The bureau also doesn't have an active property management program. Property is not marked with identifying tags and periodic inventories are not taken. As a result, the bureau has no real control over its fixed assets. At the time of our review, six typewriters listed in the 1972 typewriter inventory were missing and bureau officials were unable to account for them.

Nearly every audit report issued by the Office of the Legislative Auditor has cited problems in the recording, management, and reporting of fixed assets. The Department of Administration's Management Memo 70-17 has not resolved the problem. In our November 1973 report on the financial statements of the Department of Health and Environmental Sciences we recommended that the Department of Administration (1) prescribe definitive procedures for agencies to follow in the management, recording, and reporting of fixed assets, and (2) modify SBAS to account for and report fixed asset balances for state agencies. In responding to that report, the Department of Administration stated that a fixed asset accounting system could be operational no later than January, 1975, if additional funds which had been requested were made available. The Department also stated that implementation of both previous recommendations would require the diversion of resources from other projects with no assurances that the first recommendation would be compatible with the computerized system.

Until the Department of Administration prepares comprehensive instructions for property management and modifies SBAS to provide for the accounting and reporting of fixed assets, the bureau should comply with Management Memo 70-17.

RECOMMENDATION

We recommend that the bureau take a physical inventory of its fixed assets, reconcile the physical count with existing records, adjust the records to agree with physical count upon the appropriate approval for the write-off of missing items, record future additions and deletions on a timely basis, and implement the other provisions of Management Memo 70-17.

SUSPENSE ACCOUNT

Starting in 1941 the bureau used a suspense account in a Deer Lodge bank as the depository for fees charged for its services. When transactions were completed, the associated fees were transferred to the state treasurer to the credit of the Earmarked Revenue Account. Refunds were made from the suspense account whenever transactions could not be completed. In 1972, the bureau discontinued use of this account and began depositing fees directly to the Earmarked Revenue Account and refunding through the state claim warrant system.

The suspense account is not included in the SBAS and therefore was not reported in the bureau's June 30, 1973, balance sheet. The account still exists with a balance of $156, which equals the amount of outstanding checks. All of these checks are over one year old and therefore would not be honored by banks.

The bureau should close the suspense account and transfer its balance to the Earmarked Revenue Fund. Any outstanding checks which are subsequently presented for payment could be replaced with state warrants.

RECOMMENDATION

We recommend that the bureau close the suspense account.

DEPOSIT OF EEA REIMBURSEMENTS

During fiscal year 1973 the Employment Security Division (ESD) reimbursed the bureau $17,084 for wages paid to bureau employees hired under the Federal Emergency Employment Act (EEA). ESD sent the reimbursement checks from its Helena office to the bureau in Deer Lodge. The bureau prepared the checks for deposit and sent them to the state treasurer in Helena.

State agencies generally accomplish this type of transaction by processing an "inter-agency transfer." ESD does not use a treasury account. Therefore, inter-agency transfers are not possible, but ESD could send the checks directly to the treasurer in Helena for deposit to the bureau's account. This would reduce the time money is in transit and also would reduce the number of times payments must be handled. The bureau should request ESD to send any future EEA checks directly to the state treasurer.

Similar deposits were discussed in our November 15, 1973, report on examination of financial statements of the State Board of Pardons. Subsequently, ESD began sending the Board of Pardon's EEA reimbursements directly to the state treasurer. During fiscal year 1973, twelve state agencies participated in the EEA program. The federal government did not fund the program in fiscal year 1974, but re-initiated it for fiscal year 1975. The chief of ESD's administrative bureau said the twelve agencies that participated in the program in 1973 would probably be able to qualify in 1975. He also advised us that ESD will send all future EEA reimbursements directly to the state treasurer.

RECOMMENDATION

We recommend that the Employment Security Division send reimbursements under Federal programs directly to the state treasurer for deposit to the account of the appropriate state agency.

STATE PAYMENTS FOR INSURANCE

Section 11-1024, R.C.M. 1947, requires state agencies to pay, as part of employees' salaries, $10 per month for each employee who participates in his agency-sponsored group insurance plan. Employees and their dependents may benefit from the insurance.

During fiscal year 1973, five bureau employees who did not participate in the bureau-sponsored insurance plans received cash payments of $10 per month in lieu of the state payment for insurance. Each of these employees elected not to participate in the bureau's insurance plans because an immediate family member also worked for the state and was enrolled in a family insurance plan sponsored by his agency.

State payments to individuals in lieu of contributions for insurance plans are discussed in Attorney General's Opinion No. 5, Volume 32, dated June 15, 1967, which states ". . . non-participating employees are not entitled to pay increases equivalent to the cost of the employer's premium payment for participating employees." Opinion No. 5 did not address specifically situations in which more than one member of a family works for the state and one member is enrolled in an agency-sponsored family insurance plan. However, in a July 17, 1974 letter opinion to the Legislative Auditor, the Attorney General held that state employees who are covered by another family member's state-sponsored plan are not entitled to cash payments in lieu of the state's insurance contribution. The opinion also stated that insurance costs on a state group insurance plan may be allocated between a husband and wife who are both state employees and who are covered by a single state group insurance plan, and that each is entitled to receive the $10 state insurance contribution if each has filed the required written notice and if the respective employer state agencies have properly adopted the group plan. The Attorney General's opinion is attached as Appendix F.

As a result of the statewide insurance plan which became effective July 1, 1974, some bureau employees who previously received cash payments may be eligible to receive the $10 contribution toward a family group insurance plan.

RECOMMENDATION

We recommend that the bureau discontinue cash payments in lieu of insurance contributions and make insurance contributions for all employees who are eligible under the statewide insurance plan.

UTILITIES COSTS

The bureau shares office space with the Montana State Prison in Deer Lodge. Utilities costs for the combined office space are billed to and paid by the prison but the bureau subsequently reimburses the prison for part of the costs. During fiscal year 1973, utilities for the combined office space probably did not exceed $5,000. Estimated utility costs for that portion of the space used by the bureau were about $3,500; however, the prison assessed the bureau $12,750 for utilities and maintenance of the prison's license plate manufacturing plant during fiscal year 1973. The assessment was arbitrary and had no relation to the bureau's utility usage.

In addition, the bureau pays the city of Deer Lodge $36.25 per month for standby water service to the prison. The bureau's office space is, however, connected to the prison water system.

The bureau and the prison should develop an equitable means of determining utility usage by each agency and the prison should bill the bureau accordingly.

RECOMMENDATION

We recommend that the bureau and the prison establish an equitable means for allocating utilities costs.

TRAVEL

During fiscal year 1973, the bureau spent about $2,800 for employee travel expenses. The staff submitted 10 travel claims during the year. Travel reimbursement was incorrectly calculated on nine of these claims, and the tenth claim was incomplete. The high error rate indicates neither employees nor approving officials are adequately familiar with state travel regulations. Although the dollar amounts of the errors were not significant, they demonstrate the need to establish effective travel claim review procedures.

RECOMMENDATION

We recommend that the bureau establish effective travel claim review procedures.

LEAVE RECORDS

The bureau chief does not keep attendance and leave records. Previous chiefs also did not keep such records. The chief is entitled to the same vacation and sick leave as other state employees, and is also subject to the same recordkeeping requirements. Accurate records of vacation and sick leave are necessary to document leave accrual and entitlement and to provide data for calculating leave compensation upon employment termination.

One previous chief was on vacation the entire month prior to his retirement. His final check included only pay for the month he was on vacation. Another previous chief transferred 8-1/4 days vacation and 17 days sick leave to the state agency where he was employed after his termination with the bureau. Because neither chief had recorded leave accrual and use, there was no documentation supporting their entitlement to leave payment or transfer upon termination.

RECOMMENDATION

We recommend that the bureau chief establish and maintain appropriate leave records.

REGISTRATION RECEIPT FILES

The bureau's primary functions are to establish and maintain records of motor vehicle ownership and identification and to disseminate this information to those requiring it. Section 53-101(3), R.C.M. 1947, requires the bureau to file copies of all registration receipts alphabetically by owner name, numerically by vehicle identification number, and numerically by license number. During 1971, 1972, and 1973, only the license number file was maintained. The other files have not been completed since 1970, the last year prison inmate labor was used. Bureau personnel believe these files are important but have not prepared them because the staff has not had time.

During 1974, the vehicle identification number file has been prepared and the alphabetical file has been started. The files are necessary and required by law and should be maintained on an ongoing basis.

Data processing systems are available which would facilitate rapid and continuous updating of all three registration files. The system could also be used for annual vehicle registration and other aspects of the bureau's workload. Under contract with the Department of Intergovernmental Relations, a consulting company has prepared a proposal for an automated data processing system for vehicle registration, driver licensing, traffic accident records, and other traffic related records. The consultant's report, dated October 30, 1973, recommended that the bureau automate its registration receipt files in the very near future. An automated system would facilitate the bureau's maintenance of required registration receipt files.

RECOMMENDATION

We recommend that the bureau maintain the vehicle registration files as required by Section 53-101(3), R.C.M. 1947.

CONFIDENTIAL PLATES

On occasion certain federal, state and local law enforcement agencies need motor vehicles not identifiable as government vehicles. To accommodate this need, the bureau provides the agencies regular license plates from the normal number sequence. However, the license plate numbers are excluded from the bureau's registration receipt files and therefore the names of the owners of vehicles displaying these plates are not available to the general public from the bureau. Only the bureau chief and the Attorney General's office have access to the names of owners of vehicles displaying these license plates. Most, if not all, other states follow similar procedures.

The practice of issuing these license plates (called "confidential plates" because the license numbers are omitted from the registration receipt files) evolved years ago out of need and is not authorized in the laws of Montana. During 1973, the bureau issued 63 sets of confidential plates to federal agencies, 26 to state agencies, and 27 to local agencies. Because the issuance of confidential plates does not make a public record of vehicle registration and because of the nature of the use of confidential plates, their uses and restrictions should be specified in the law.

RECOMMENDATION

We recommend that the Department of Justice seek legislation authorizing confidential plates and prescribing guidelines for their issuance and use.

COSTS OF LICENSE PLATES

Section 53-106, R.C.M. 1947, requires new license plates to be issued

every two years for all vehicles registered in Montana. Validation stickers are required for alternate years. The last issue of new license plates was in 1973.

Montana license plates are manufactured in the State Prison at Deer Lodge and shipped from there to the 56 county treasurers. About 1,356,000 license plates were manufactured and distributed for the new issue in 1973. These plates cost $505,716; $500,274 for materials, and $5,442 for freight to the various counties. In 1974, 1,405,675 validation stickers were purchased and distributed to the counties for validation of the 1973 license plates. The stickers cost $32,678. The 1974 savings attributed to the use of validation stickers rather than plates was about $473,000. Materials costs have been increasing, and the estimated cost of the 1977 license plates is about $918,000.

Several states use long-term license plates. North Dakota uses a four-year license plate, New York uses a six-year license plate, and Oregon and Washington use permanent license plates. All of the above states require annual validation and report significant savings for years in which validation stickers are issued. For example, North Dakota, which has about the same number of vehicles as Montana, estimates a savings of about $470,000 for each year in which validation stickers are used.

Cost savings partially depend on the life of the license plates used because long-term plates require more expensive materials than short-term ones. However, the savings realized in Montana in 1974 and the experiences of other states indicate that significant savings would be available if Montana used a long-term license plate. In addition to cost, several other factors, such as the needs of law enforcement officials, need to be considered in determining an optimum life for vehicle license plates.

There also are other areas for potential savings in the vehicle licensing area. Some states use only one license plate, and some register previously registered vehicles throughout the year rather than only at the beginning of the year. An interim legislative committee is studying the feasibility of periodic registration renewal for Montana.

RECOMMENDATION

We recommend that the bureau determine the optimum licensing cycle for Montana's needs and seek legislation to implement a license plate term consistent with its determination.

FINAL COMMENTS

We have reviewed the comments and recommendations contained in this report with the director of the Department of Justice, the chief of the Registrar's Bureau and, where applicable, the administrator of the Employment Security Division of the Department of Labor and Industry. We sincerely appreciate the cooperation and assistance provided us during this audit.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

August 9, 1974

EXHIBIT A

REGISTRAR'S BUREAU
ALL FUNDS
BALANCE SHEET
June 30, 1973

	Earmarked Revenue Fund	Federal and Private Revenue Fund
ASSETS		
Cash in Treasury	$667,098	$2,687
Accounts Receivable	2	--
Total Assets	$667,100	$2,687
LIABILITIES AND FUND BALANCE		
Accrued Expenditures	$29,412	--
Other Liabilities	549	--
Fund Balance (Appendix B)	637,139	$2,687
Total Liabilities and Fund Balance	$667,100	$2,687

EXHIBIT B

REGISTRAR'S BUREAU
ALL FUNDS
STATEMENT OF CHANGE IN FUND BALANCE
Fiscal Year 1973

	Earmarked Revenue Fund	Federal and Private Revenue Fund
Fund Balance July 1, 1972	$ 235,932	$ 50
Additions:		
Receipts (Appendix C)	981,857	17,084
Prior Year Expenditure Adjustment	653	
Total Balance and Receipts	$1,218,442	$17,134
Deductions:		
Expenditures (Appendix D)	581,303	14,447
Fund Balance 6/30/73	$ 637,139	$ 2,687

EXHIBIT C

REGISTRAR'S BUREAU
ALL FUNDS
STATEMENT OF REVENUE
Fiscal Year 1973

Description of Revenue	Earmarked Revenue Fund		Federal and Private Revenue Fund
Licenses and Permits (Appendix C-1)	$968,776		--
Reimbursements	35		$17,084
Sales of Documents, Merchandise, and Property:			
Documents	4,763		--
Prison Manufactured Goods (Sample license plates and temporary license stickers)	2,014		--
Miscellaneous	150		--
Income Collections and Transfers:			
Income Transfers	4,825		--
Prison Manufactured Goods (GVW plates)	1,294		--
Total	$981,857		$17,084
Grand Total		$998,941	

REGISTRAR'S BUREAU
EARMARKED REVENUE FUND
STATEMENT OF REVENUE

LICENSES AND PERMITS

Fiscal Year 1973

Description	Application Fee	Revenue Collection
Lien Recordings	$2	$227,666
Transfer Titles	$1	162,023
New, Other Titles	$1	119,663
Duplicate Titles, Registration Receipts	$2	35,038
Duplicate License Plates	$2	6,656
New Car Dealers Annual Registration	$30 + $5	11,910
Used Car Dealers Annual Registration	$30 + $5	8,460
Motorcycle Dealers Annual Registration	$30 + $5	4,560
Special mobile Dealers Annual Registration	$30 + $5	270
Trailer Dealers Annual Registration	$30 + $5	8,880
Other Vehicle Dealers Annual Registration	$30 + $5	1,700
Transfer of Dealers Registration	$2	22
Registration of New Vehicle Serial Numbers	$2	7,158
Additional Dealers License Plates	$5 and $2	19,795
Ten-day temporary registration stickers, Pioneer Plates, Ham Radio Licenses, Transit Plates, and others	$1 to $20	22,955
License Plate Reflectorization Fees	$.50	332,020
TOTAL LICENSES AND PERMITS		$968,776

REGISTRAR'S BUREAU
ALL FUNDS
STATEMENT OF EXPENDITURES
Fiscal Year 1973

	Earmarked Revenue Fund	Federal and Private Revenue Fund
Personal Services:		
Salaries	$375,525	$12,880
Other Compensation	3	--
Employee Benefits	43,709	1,567
Total Personal Services	419,237	14,447
Operating Expenses:		
Contracted Services	1,550	
Supplies & Materials	74,913	
Communications & Transportation	44,198	
Travel	2,809	
Rent	6,431	
Utilities	13,256	
Repairs & Maintenance	9,056	
Other Expenses	5,205	
Total Operating Expenses	157,418	
Equipment	4,648	
Total Expenditures	$581,303	$14,447

REGISTRAR'S BUREAU
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES
Fiscal Year 1973

	Vehicle Registration Program	Plate Manufacture Program	Central Services Program	Total All Programs
Personal Services:				
Salaries	$351,404	$16,881	$7,240	$375,525
Other Compensation	3	--	--	3
Employee Benefits	40,789	2,087	833	43,709
Total Personal Services	392,196	18,968	8,073	419,237
Operating Expenses:				
Contracted Services	1,550	--	--	1,550
Supplies & Materials	69,233	5,202	478	74,913
Communications & Transportation	43,211	514	473	44,198
Travel	2,809	--	--	2,809
Rent	6,431	--	--	6,431
Utilities	13,185	--	71	13,256
Repairs & Maintenance	9,013	43	--	9,056
Other Expenses	5,205	--	--	5,205
Total Operating Expenses	150,637	5,759	1,022	157,418
Equipment	4,648	--	--	4,648
Total	$547,481	$24,727	$9,095	$581,303

EXHIBIT F

State of Montana
Office of The Attorney General
Helena 59601

July 17, 1974

ROBERT L. WOODAHL
ATTORNEY GENERAL

RECEIVED
JUL 25 1974
MONTANA LEGISLATIVE AUDITOR

Mr. Morris L. Brusett
Legislative Auditor
State Capitol Building
Helena, Montana 59601

Dear Mr. Brusett:

I am in receipt of your recent letter asking my opinion on the following questions:

(1) Where two family members are both employed by the state, and both are covered under a single family plan in one member's name, is the other family member entitled to receive a $10.00 per month cash payment as the state's share of a group insurance plan pursuant to section 11-1024, Revised Codes of Montana, 1947?

(2) Where a husband and wife, both state employees, are covered under a state group plan paid for by the husband, and the wife takes out an accident policy costing $8.00 per month, is she entitled to a cash payment of $2.00 per month as the remainder of the state's payment under section 11-1024, R.C.M. 1947?

(3) Can group insurance costs for a single policy be allocated between a husband and wife who are both state employees, so that each may receive a $10.00 credit toward the coverage of a single policy under section 11-1024, R.C.M. 1947?

I have carefully reviewed the memorandum of authorities submitted with your request together with 32 Opinions of the Attorney General, No. 5, which held in part: "non-participating employees are not entitled to a pay increase equivalent to the cost of the employer's premium payment for participating employees." Therefore, it is my opinion that the following conclusions contained in your memorandum are correct:

(1) Where two members of a family are both employed by the state, and are covered under a single state family plan in one member's name, the other family member is not entitled to receive a $10.00 per month cash payment as the state's share of a group plan pursuant to section 11-1024, R.C.M. 1947.

(2) Where a husband and wife, both state employees, are covered under a state group plan paid for by the husband, and the wife takes out an accident policy costing $8.00 per month, she is not entitled to a cash payment of $2.00 per month as the remainder of the state's contribution under section 11-1024, R.C.M. 1947.

(3) Insurance costs on a single state group insurance plan may be allocated between a husband and wife who are both state employees, if each has filed the written notice required by section 40-3905.1, R.C.M. 1947, and if the respective employer state agencies have properly adopted the group plan, then each person is entitled to receive the $10.00 state contribution authorized by section 11-1024, R.C.M. 1947.

Very truly yours,

ROBERT L. WOODAHL
Attorney General

RLW:ps

AGENCY REPLIES

State of Montana
Office of The Attorney General
Helena 59601

ROBERT L. WOODAHL
ATTORNEY GENERAL

July 31, 1974

Dear Post Audit Committee:

Following the Department of Justice's creation in September 1972, I recognized the need for benchmarks, particularly in the case of two of the larger agencies that came into Justice--Registrar of Motor Vehicles and Highway Patrol. So on March 30, 1973, I requested the Legislative Post Audit Committee to audit the finances and operations of those two bureaus.

The subsequent audit of the Registrar of Motor Vehicles Bureau, confirms the need for central supervision and financial control of Justice's many law enforcement responsibilities. Our financial managers, who staff Justice's Central Services Division, have been methodically identifying those areas where uniformity is wanting and recommending alternatives that would professionalize Justice's management.

Your audit findings encourage us in the direction we are moving--toward better management and central financial control. None of the audit findings are so significant as to require disciplinary or stronger action. But they all illustrate significant room for improvement. By our response, the Legislative Post Audit Committee may agree that the Department of Justice is making the improvement in a necessary and timely manner.

Here is our reply to each of the 13 audit findings:

I (page 9) (1) An automated cash recording system would be desirable for handling the bureau's nearly $1 million annual revenue. We are examining the possibility of interfacing this with an automated registration-transfer-licensing system to reduce the number of necessary documents for the nearly three-quarters of a million transactions and the more than one and a half million documents filed annually.

(2) Central mail opening with immediate removal and recording of receipts has already been inaugurated at the bureau, except mail marked personal or originating in other Justice bureaus and directed to the chief or deputy chief.

(3) Reconciliation outside the cashier's section is a valid suggestion, which is being studied and will be implemented if it requires no additional personnel.

(4) All bureau receipts will be endorsed during the mail opening process and deposits will be prepared and made as soon after that process is completed as practicable each day.

II (page 11) (1&2) Separation of duties to accomplish good internal control at the bureau will be implemented soon with Central Services' help both in the general accounting and contingent revolving account areas.

(3) A departmental inventory and control program for fixed or capital equipment assets, was begun in January 1974. When completed each Justice bureau's inventory will be uniform and Central Services will maintain a list for control purposes.

(4) The mail clerk has the postage meter under her control and observation each working day; she will henceforth lock it at the completion of each day's business. Justice is studying further controls over postage as well as copy machine use to avoid personal application of those state resources.

III (page 13) Reconciling receipts with documents processed, although an excellent suggestion, may have to wait until document processing is automated. The large volume of documents, nearly three-quarter million, combined with the small fees, the bulk of which are $1 or $2, suggest insufficient materiality to justify the expense of additional staff such a complete reconciliation would require. Central Services and the Registrar's Bureau will pursue this matter further to implement the recommendation within current staffing limitations.

The bureau will immediately prepare a receivables program to account for all licenses supplied counties. Implementing the recommendation will help strengthen the due care Justice wishes to exercise, although the registrar will still have to depend on reports submitted by the county treasurers and the statutory examination of those treasurers by the Local Governmental Assistance Division.

IV (page 14) As noted in II above Justice began this process last January.

V (page 15) The suspense account is closed and the balance has been transferred to the treasury system.

VI (page 16) It might be inappropriate for Justice to respond to a finding directed to the Employment Security Division, but it should be noted the bureau no longer receives reimbursements

under the Emergency Employment Act as it no longer employs persons who qualify for the federal program.

VII (page 18) Justice will comply with the Attorney General's memorandum opinion dated July 17, 1974, which does not provide for paying an employee his state share directly in lieu of insurance coverage.

VIII (page 18) Utilities have been pro-rated by space, so the office utilities budget for the motor vehicle registrar have been reduced from $14,000/year to $4,500/year.

IX (page 19) Central Services will supervise all Justice travel claims to insure accurate compliance with state regulation.

X (page 20) Since 1973 all Justice bureaus have been directed to maintain appropriate leave records for all employees.

XI (page 21) Prisoners have not been used to maintain the statutory vehicle registration files since 1969, and the resulting lack of staff severely curtailed maintenance of the vehicle number and alphabetic files. The motor file was again prepared in 1973--the first year the bureau was part of Justice. An alphabetic file is being prepared in 1974. Without supplemental staff or alternative filing methods, these files could be maintained in alternate years. However, these two files will be a simple and economic matter when the licensing process is automated, and we hope to accomplish this, at least partially, in the next biennium.

XII (page 21) After nearly four decades of use, the matter of confidential plates is under study by the Attorney General. It has been a courtesy available only to publically-owned, law enforcement agency vehicles where a proven need for confidentiality existed. The statutory motor vehicle information is recorded and available when the need to know is greater than the need for confidentiality.

XIII (page 23) Both the vehicle licensing cycle (every year) and plate issuing cycle (every two years) are set by statute. Justice is seriously interested in the workability of any changes in these statutes and has had the plate cycle under study. Justice has presented testimony about its position on the timing and cycles of licensing motor vehicles to the legislative committee reviewing motor vehicle licensing statutes.

Justice staff have expressed their appreciation of the

pleasantness and thoroughness of the auditors who examined the motor vehicle registrar operation. Thank you for the audit and the opportunity to respond to its findings.

Sincerely,

Robert L. Woodahl
Attorney General

RLW:mv

EMPLOYMENT SECURITY DIVISION

P. O. BOX 1728 • HELENA, MONTANA 59601 • TELEPHONE 406/448-2511

Montana State
Employment Service

Unemployment
Insurance

July 26, 1974

Mr. Morris L. Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

Dear Mr. Brusett:

This will acknowledge receipt of the draft copy dated July 25, 1974, of your recommendations regarding Employment Security Division reimbursements under Emergency Employment Act hirings by various state agencies.

We concur in your recommendation that reimbursements under federal programs be made directly to the State Treasurer for deposit to the account of the appropriate state agency. We are in the process of working with those departments which are participating in the Emergency Employment Program to establish a procedure whereby Emergency Employment Act funds may be deposited directly with the State Treasurer to the department's appropriate account.

We do not anticipate any difficulty in setting up this procedure and hope that this will comply with the recommendation you made in your report, but the success of our compliance with your recommendation depends upon the cooperation received so that timely payment of the participants may be achieved.

Sincerely yours,

Fred Barrett

FRED BARRETT, Administrator

FB:nf

cc: Jess Fletcher